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CENTRAL INTELLIGENCE GROUP
INTELLIGENCE REPORT

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SUPPLEMENT

ATTACHMENT

In general the results of economic relations and trade agreements in the year 1945-46 are judged with reservation by the Commercial Policy Section of the Czechoslovakian Ministry of Foreign Affairs, as well as by other economic offices. Owing to the general drought, the 1946 crop in the Balkan States was catastrophic. Therefore, they had to import great quantities of agricultural products (corn, wheat, flour, etc.) from Russia and especially from the western non-European states. Due to the political orientation of the Balkan States toward the East, they could only import minimal quantities so that there are alarming reports of the scarcity of food, especially in Rumania. As a further consequence there is not much trading between these states, and very high prices exist for the available domestic products.

a) Enclosed is a complete translation of the first trade and compensation agreements, with all preambles between CSR and Bulgaria as settled in October 1945. (Page 1), as well as the telegram ("Telefonogramm") on (Page 4), concerns a confidential report to the Czechoslovakian Foreign Ministry about the market situation and the high cost of tobacco. The difficult economic situation in Bulgaria is described in Communication 2, and it follows from this that the CSR signed the commercial treaty mainly for political reasons. (Page 5) and (Page 6) contain the exact words of the Protocol of 20 October 1945 concerning the exchange of merchandise, prices for which were to be based on the Swiss franc. Paragraph 6 is especially noteworthy inasmuch as both countries agree not to re-export merchandise without a written consent from the country which originally exported the merchandise.

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- b) Because of the poor 1946 crop, Bulgaria can offer for export at present only vegetable seeds, fruit pulp and concentrate without sugar, wine, olivowits, tobacco, skins, intestines for sausage skins, medicinal plants and ore. They wish primarily to import finished products, household articles, farm machinery, complete factory installations and railroad construction material.
- c) In 1946 the compensation agreement was completed through a new monetary exchange treaty ("Clearing-Handelsvertrag"), set up on the basis of 5 leva to 1 kroner. Other than this, no change has been made since the first treaty, as Bulgaria is not in a position to add new items to the original export list.
- d) Czechoslovak officials complain about this monetary arrangement, and at least one Councillor voiced his concern about Bulgarian liabilities. The irresponsible behavior of the Bulgarian import and export firms is considered in Prague to be especially detrimental to satisfactory trade. While CSR has delivered punctually considerable quantities of goods, machines and material for reconstruction, Bulgarian deliveries were made slowly and only after prolonged urging, if at all. The Commercial Policy Section had to undertake negotiations in behalf of the Foreign Ministry and diplomatic representatives but their results were always limited to the individual case concerned. It is expected that this state of affairs will not alter before the 1947 harvests.

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Attachment page 1

FIRST TRADE AGREEMENT BETWEEN CSF AND BULGARIA

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Central office of the Bul. Chamber of Commerce and Board of Trade
Appendix to G.Z. 6615/U/1945.

Copy

Foreign Ministry
Prague
Report No. 3/Bulgaria/.

Bucharest, 24 October 1945

Very Urgent, Confidential

The representatives of the Czechoslovakian administration of the tobacco monopoly, who remained in Sofia to negotiate for the payment of tobacco with different goods on the basis of the trade agreement, delivered a report by telephone on 23 October 1945, a copy of which is enclosed.

To explain this report we mention the following:

During the negotiations in Sofia the board of directors for foreign trade presented us with the tobacco price list in which the different kinds range from 11 sfr. to 16 sfr. which not only represents a price increase of more than 100% (before the war the average price was about 5-6 sfr.), but, with the new parity of the krona, represents a tobacco price increase of more than three times as much. As is evident, the representatives of the administration of the tobacco monopoly assume that the supply of our goods, which we will export to Bulgaria, must be increased by at least 70%; that is, twice the age of Dr. KOPALS, so that the export industries can make the extra payment to the administration of the tobacco monopoly. On the occasion of the telephone conversation between Dr. PERKYS and the representative of the administration of the tobacco monopoly on the 24th of this month, the representative was informed that if desired a report will be given to Prague and that the delegation has no objection to the compensation as suggested.

A copy of this is being sent to the Ministry of Foreign Trade, Ministry of Finance, Czechoslovakian National Bank and the administration of the tobacco monopoly.

Dictated by Dr. AUGENTHALER
Minister

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Communication No. 2

After the first transactions, about which we communicated with Prague, the situation has developed as follows:

The Bulgarians agreed that the mutual trade should be built up on the principle of private compensation, after which it was made clear that, during the present situation, it would not be possible to determine a "clearing" exchange which would make possible an exchange of goods in this manner without harming one of the partners. Difficulties arose with regard to the list of goods. This year Bulgaria had the worst drought it has seen in the past 60 years, and the Government is much concerned about the next several months. In Bulgaria they have no wheat, corn, potatoes, linseed or sugar, and very few beets. There is a great need for fodder, and the tobacco crop is poor. The only products Bulgaria has are: fruit (but no plums); an abundant quantity of fruit pulp which, because of the lack of sugar, cannot be made into marmalade; very good wine from this year's crop, slivovitz, and similar products. During this critical Bulgarian situation our transactions commenced, which on the one hand was very advantageous to the Government because it could show the nation, before the election, that it was concerned about procuring goods for Bulgaria, but on the other hand presented enormous difficulties because the Bulgarians were not in a position to deliver some of the goods on the lists, such as seeds, fruit pulp, etc., which could be used to cover the necessary import requirements. Consequently, they were caught unprepared by the election campaigns. In this regard, the situation developed so that on the one hand the Bulgarians gave us a list of their wishes, the original of which I am enclosing as enclosure No. 1, and of which we have only one copy, and on the other hand they proposed to us the exports to CSR as in enclosure No. 2. It was clear to us that we either had to break off the transactions or drag them out until the elections in Bulgaria were over, that is, until approximately the end of next month. The leading personalities of the Bulgarian Office for Foreign Trade and the general secretary of the Ministry of the Interior turned confidentially to us and requested that we sympathize with their extremely difficult situation and they assured us that without lists we would get greater quantities of goods and better values than those shown on the lists. After considering all these circumstances we have decided to make only a skeleton agreement, a copy of which is enclosed. The national banks have reached an agreement concerning the financial payments about which Herr Ing. HOTSCH (name garbled) delivered a report, which is also enclosed. The trade representatives came to an agreement about transportation on the Danube wherein the Bulgarians promised us that they were prepared to go to Bratislava and back with the 16 railway trains and 3 "Remorquen" which were left to them, after which, railway transportation, according to all indications, would be impossible mainly because of unsettled payment questions between Bulgaria and Rumania. The trade representatives will deliver detailed reports later when they have spent another day in Rusek, Bulgaria, discussing trade tariffs and other questions, and will probably return today at noon.

The situation at the moment is as follows:

1. It is necessary that the private compensation for about 2 million kg of tobacco be negotiated immediately as the Bulgarians have indicated to us, and that about $\frac{1}{2}$ million kg be paid for with goods which we can deliver immediately - ferro-concrete, cigarette paper, electric motors, partial agricultural machines and other valuable goods - the choice of which is possible from the list which we enclose. The remaining $\frac{1}{2}$ million kg of tobacco, and subsequent amounts, the Bulgarians intend to pay for with machine installations, particularly electro-technical, and to this end they plan to send a commission to us within the next few days which will be prepared to negotiate concrete transactions. The Bulgarians also have a great interest in railroad material but we did not give them any hope in view of our own difficult situation in this respect.

(Page 3)

2. They promised to be prepared to grant us a compensation of 500 kg of raw opium (allegedly they have no more) for medicine, and it would be necessary for us to inform them as soon as possible exactly which medicines we could deliver.
3. The possibility exists that we may get a number of "Bakauner" from Bulgaria, (perhaps up to 6,000 pieces or more). Lightweight hogs averaging about 50 kg, dead weight, yield about 25 kg of "Bakauner." Furthermore, it would be possible to get "Dauerwurst" containing about 60-70% pork, and several carloads of rice (perhaps about 5-6 carloads).

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4. It might be indicated however, for psychological reasons, to suggest to Bulgaria that payment be offered in a certain quantity of marmalade - in connection with which we call attention to the excellent grape marmalade which contains only natural sugar - and other goods; for example, hats, which they could send. It is urgent that the firms immediately undertake the matter concretely and energetically, so that no time is lost. It would be best for the interested parties in Prague to form an association which would handle the transaction.

Bucharest, 22 October 1945

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~~Telegram~~ ("Telefonogram")

from Dr. NOVOTNY from Sofia to Dr. AUGENTHALER or communicated to Mr. PETERKA.

J. ONDRA received the report on 23 September 1945 at 1830 hours.

Very urgent!

Dr. NOVOTNY communicates:

1. The Czechoslovakian delegation (the administration of the tobacco monopoly) visited the Minister of Trade twice with the representatives of the Bulgarian administration of the tobacco monopoly.
2. 3,000,000 kg of tobacco were promised, if, by 30 June 1946, the equivalent in our products could be delivered, particularly the machines.
3. Without concrete offers of counter-compensation, giving the kinds, quantities and prices, they would not give credit.
4. For the first part of the tobacco delivery they demand: agricultural machinery, electric motors, ferro-concrete, cigarette paper, hops, sewing machines, metal and wood-working machines, plough shares, and other finished products of the metal industry.
5. The Minister of Trade explained that a Bulgarian delegation of merchants and representatives of the offices would leave for Prague in a week for compensation negotiations.
6. It is necessary to inform the Ministry for Foreign Trade in Prague quickly by a code-telegram:
 - a) that our firms should not quote prices to the Bulgarian delegation;
 - b) that to the prices for exports to Bulgaria will be added an extra charge, on behalf of the administration for the tobacco monopoly, in an amount twice the age of KOPALS in percent, to equalize the high purchase price of tobacco.
7. At the same time the Ministry for Foreign Trade in Prague should be informed that the prices of supplies for Bulgaria (exports including tobacco price increase) should be offered in sfr., whereby the price of tobacco should be converted at the new rate of exchange, 11.20 kšs for the sfr.
8. The representatives of the Czechoslovakian firms in Bulgaria are informing their main offices to make offers of goods which they can deliver immediately, and to get instructions from the Ministry for Foreign Trade before making the offers.
9. Tomorrow morning between 9:30 and 10:00 o'clock, someone from the delegation (Dr. PETERKA) should call the delegation in Bulgaria, which at this time will be waiting at the office of the firm Kotva, telephone No. 1926.

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Protocol

of the settlement for exchange of goods between the Czechoslovakian Republic and the Kingdom of Bulgaria.

The governments of the Czechoslovakian Republic and the Kingdom of Bulgaria, wishing to renew and strengthen the economic relations between both countries, have agreed as follows:

Paragraph 1.

During the time in which this protocol is valid, the exchange of goods between the Czechoslovakian Republic and the Kingdom of Bulgaria will be carried on in the manner of private compensations which are approved beforehand by the contracting officials of both countries.

Paragraph 2.

The compensation transactions which are granted through the officials of both countries should be fulfilled within a period of two months from the day of the final grant. If the character of the transaction or the manufacturing of the goods demands a longer delivery period, the period for fulfilling the granted compensations can be agreed to be prolonged.

This two-month period can also be prolonged if the carrying through of the transactions has already begun in part, or if after mutual agreement both participants wish it. The contracting officials of both partners will inform themselves mutually by telegram of the issued grants.

Paragraph 3.

The prices of the Czechoslovakian and Bulgarian goods which are the object of the compensation transactions between both countries are expressed in Swiss francs and are determined by mutual agreement of the contracting officials of both countries.

Paragraph 4.

The freight and the other duties for the Czechoslovakian goods, as well as for the Bulgarian goods which are transported on the Danube, are paid by the sender as far as the shore of the shipping harbors.

The accepting of goods, as far as the quality and quantity are concerned, will proceed according to agreement by the contractors.

As soon as direct rail transportation between both these countries is possible, the "Agreement about the introductory direct transportation of goods between CSR and Bulgaria" will come into force, as agreed upon today.

Paragraph 5.

The goods on the Danube will be transported on the basis of reciprocity of ships of both countries whereby it is intended that the ships in all cases and in both directions are fully utilized.

Paragraph 6.

The Czechoslovakian and Bulgarian governments promise each other that the goods which are traded between them will not be exported to a third country without previous written consent from the country whence the goods originally came.

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Paragraph 7.

Both governments consider it necessary that the Czechoslovakian National Bank and the Bulgarian National Bank come to an agreement about the preliminary regulation of individual payments between both countries.

Paragraph 8.

Both countries will follow the development of the mutual exchange of goods and will inform themselves about the established difficulties which arise as a result.

(Page 6)

At the beginning of the year 1946, and if possible before the end of the month of March, a mixed commission of both countries will investigate the complete development of the exchange of goods in order to instigate and agree on changes in this protocol. If, however, in the interest of sound development of the exchange of goods, an earlier revision of this protocol is necessary, each partner can try through diplomatic channels to get immediate revisions. In this event the partner trying to get the revision must present his suggestion together with detailed reasons to the government of the other partner.

Paragraph 9.

This protocol is valid from 28 October 1945 until 30 June 1946.

Drawn up in Sofia in two original copies in Czechoslovakian and Bulgarian languages on 20 October 1945.

For the Czechoslovakian Government:

For the Bulgarian Government:

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